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INTERSTATE COMMERCE COMMISSION

L E A S E A G R E E M E N T

between

MACYOUNG LEASING LTD.

as Lessor

and

CANADIAN NATIONAL RAILWAY COMPANY

as Lessee

bearing formal date of

December 31, 1975

LEASE AGREEMENT

between

MACYOUNG LEASING LTD.

as Lessor

and

CANADIAN NATIONAL RAILWAY COMPANY

as Lessee

bearing formal date of

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LEASE AGREEMENT

THIS LEASE AGREEMENT is entered into as of December 31, 1975 by and between Macyoung Leasing Ltd., a company duly incorporated under the laws of Canada, as lessor, and Canadian National Railway Company, a company incorporated and continued by Special Act of the Parliament of Canada, as lessee.

WHEREAS Macyoung Leasing Ltd. is desirous of leasing certain railroad equipment to Canadian National Railway Company and Canadian National Railway Company is desirous of leasing such railroad equipment from Macyoung Leasing Ltd., on the terms and conditions hereinafter set forth, and

WHEREAS concurrently herewith the parties hereto have entered into an agreement providing for the extension of the Term of this Agreement to July 14, 1991 upon and subject to the terms and conditions therein contained.

NOW, THEREFORE, the parties hereto mutually agree as follows:

ARTICLE I

DEFINITIONS

The following terms whenever used in this Agreement, shall have the following meanings, unless the context of this Agreement otherwise requires:

Section 1.01 "Agreement", "this Agreement", "herein", "hereunder" or other like words shall mean and include this Lease Agreement and any other agreement supplementary or ancillary hereto.

Section 1.02 "Basic Rental" shall mean the rental (as the same may be adjusted from time to time pursuant to this Agreement) payable throughout the Term for the Equipment pursuant to Section 4.01 hereof.

Section 1.03 "Equipment" shall mean and include the flat cars described in Exhibit A hereto delivered to the Lessor prior to July 5, 1976 and includes any unit substituted for a Unit in the case of an Event of Loss pursuant to Section 6.16 hereof and excludes any Lost Unit which the

Lessee

Lessee has not replaced pursuant to the provisions of such Section 6.16 provided that the Lessee has complied with the provisions of such Section 6.16; provided further that if the total cost to Macyoung Leasing of all the Units described in Exhibit A would, in accordance with the contracts for the purchase of same, exceed \$23,000,000 there shall be excluded from the Equipment that number of Units selected by the Lessor with the Lessee's consent as may be necessary to reduce such total cost to an amount not exceeding \$23,000,000.

Section 1.04 "Equipment Cost" shall mean the amount of the cost of the Equipment to the Lessor, as such amount may be reduced in accordance with the provisions of Section 6.16 hereof from time to time by an amount equivalent to the cost of any Lost Unit which the Lessee has not replaced pursuant to the provisions of such Section 6.16.

Section 1.05 "Event of Default" shall mean any of the events referred to in Section 7.01 hereof.

Section 1.06 "Event of Loss" with respect to a Unit shall mean any of the following events:

(i) the actual total loss of such Unit;

(ii) such Unit shall have become lost, stolen, destroyed, damaged beyond repair, or in the reasonable opinion of the Lessee, permanently rendered unfit for normal use for any reason whatsoever; or

(iii) the expropriation, condemnation, confiscation or seizure of or requisition of title to or use of such Unit and such expropriation, condemnation, confiscation, seizure or requisition has continued for a period of 60 days without return of such Unit.

Section 1.07 "Extension Agreement" means the agreement between the parties hereto entered into under even date herewith providing, upon the terms and conditions therein contained, for the extension of the Term of this Agreement to July 14, 1991.

Section 1.08 "Fair Market Value" of any Unit shall mean an amount, determined on the basis of, and to be equivalent to, the value which such Unit would obtain in an

arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal of such Unit from the location of current use shall not be a deduction from such value.

Except in the case of the determination of Fair Market Value for the purposes of Article VII hereof where the determination shall be made by the Lessor alone in accordance with the preceding provisions of this Section 1.08, if on or before four months prior to the expiration of the Term in the case of the exercise by the Lessee of its option to purchase any Unit pursuant to the provisions of Article IX, or within 30 days from the date of the event giving rise to a determination of Fair Market Value of any Unit in any other case, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value of any Unit, such value shall be determined in accordance with the above provisions by a qualified independent Appraiser. For the purposes of this definition, "Appraiser" shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected; the Appraiser, whose expenses and fees shall be borne jointly by the Lessor and the Lessee, shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee and the determination so made shall be conclusively binding upon both Lessor and Lessee.

Section 1.09 "Lessee" shall mean Canadian National Railway Company.

Section 1.10 "Lessor" shall mean Macyoung Leasing Ltd. and its successors and assigns, if any, including without limitation, National Trust Company, Limited, as trustee, in the event that Macyoung Leasing Ltd. cedes and transfers all its rights hereunder to such trustee as contemplated by Article XIII hereof.

Section 1.11 "Lost Unit" shall mean any Unit that shall have suffered an Event of Loss.

Section 1.12

Section 1.12 "Parts" shall mean and include all appliances, components, parts, instruments, appurtenances and accessories.

Section 1.13 "Officer's Certificate" shall mean a certificate signed by any one of the Chairman of the Board of Directors, the President, a Vice-President, the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer of the Lessee.

Section 1.14 "Rentals" shall mean and include both the Basic Rental and the Supplemental Rental.

Section 1.15 "Stipulated Loss Value" of the Equipment during the period to July 14, 1976 shall be an amount equal to the Equipment Cost and thereafter shall be an amount equal to a portion of the Equipment Cost determined by multiplying the Equipment Cost by the applicable Stipulated Loss Value percentage prevailing from time to time during the period after July 14, 1976 as to be determined by the parties hereto when the Term of this Agreement is extended pursuant to the Extension Agreement.

Section 1.16 "Supplemental Rental" for the Equipment shall mean any and all amounts, liabilities and obligations which the Lessee assumes or agrees to pay hereunder to the Lessor including but without limiting the generality of the foregoing, Stipulated Loss Value and Termination Value payments but excluding Basic Rental.

Section 1.17 "Term" shall mean the term for which the Equipment is leased pursuant to Section 3.01 hereof.

Section 1.18 "Termination Value" of the Equipment shall be the greater of an amount equivalent to the Fair Market Value of the Equipment at the time the Event of Default occurs or an amount equal to the Equipment Cost if such Event of Default occurs on or prior to July 14, 1976, and if such Event of Default occurs after July 14, 1976 an amount equal to a portion of the Equipment Cost determined by multiplying the Equipment Cost by the applicable Termination Value percentage prevailing at that time as to be determined by the parties hereto when the Term of this Agreement is extended pursuant to the Extension Agreement.

Section 1.19 "Unit" shall mean an individual unit forming part of the Equipment.

Section 1.20 "Unit Cost" of any Unit shall mean the amount of the cost of such Unit to the Lessor.

ARTICLE II

LEASE OF EQUIPMENT

Section 2.01 Agreement to lease Equipment. Subject to the terms and conditions hereinafter set forth, the Lessor hereby leases to the Lessee hereunder, and the Lessee hereby leases from the Lessor hereunder, the Units described in Exhibit A hereto as and when each such Unit is delivered to the Lessee in accordance with the provisions of the Assignment Agreement entered into between the parties hereto and signed contemporaneously herewith.

ARTICLE III

TERM

Section 3.01 Term. The Term of this Agreement shall commence on January 1, 1976 and, unless terminated earlier pursuant to the provisions of Article VIII hereof or extended to a later date pursuant to the Extension Agreement, terminate on July 14, 1976.

ARTICLE IV

RENTAL

Section 4.01 Basic Rental. Subject to the provisions of Section 6.16 hereof, the Lessee agrees to pay to the Lessor Basic Rental for the Equipment on the last business day of each calendar month up to and including June 30, 1976 and on July 14, 1976 in respect of each Unit delivered pursuant to Section 2.01 hereof an amount calculated as being equal to $\frac{1}{4}\%$ above the Prime Rate in effect from time to time and charged by the Canadian Imperial Bank of Commerce as interest on loans to substantial and responsible borrowers in respect of the Unit Cost of such Unit during the period from and including the date such Unit is settled for between the Lessor and the manufacturer of the Unit up to and including the next succeeding rental payment date and thereafter during the period up to and including each subsequent rental payment date during the Term.

Section 4.02 Adjustments in Basic Rental. If (a) during the Term (as extended after July 14, 1976 pursuant to the Extension Agreement) any provincial taxing authority assesses the Lessor on the basis that the Lessor is not entitled to claim capital cost allowance in respect of the Equipment or to apply to other business income, losses created by claiming capital cost allowance in respect of the Equipment or to deduct, in computing its income, amounts paid or payable as interest on the Notes referred to in Article XIII hereof (in the event any such Notes are issued as contemplated by Article XIII hereof), or (b) during the Term (as extended after July 14, 1976 pursuant to the Extension Agreement) the Canadian or applicable provincial income tax laws or regulations are changed so that the rate at which capital cost allowance may be claimed by a non-operating owner of railway equipment pursuant to such laws or regulations is reduced to a rate less than that which prevailed under such laws or regulations on the date of the commencement of this Agreement, or (c) during the period ending July 14, 1979 such laws or regulations are changed so as to reduce or remove the right of the Lessor to apply to other business income, losses created by claiming capital cost allowance in respect of the Equipment, or (d) such laws or regulations are changed so as to reduce or remove the right of the Lessor to deduct, in computing its income, amounts paid or payable as interest on the Notes referred to in Article XIII hereof (in the event any such Notes are issued as contemplated by Article XIII hereof), then, in any such case, if requested by the Lessor, the Basic Rental for the balance of the Term as so extended shall be adjusted (with effect as of the date on which such assessment or change, as the case may be, became effective) to such amount as will in the reasonable opinion of the Lessor cause its net return in respect of the Equipment and the lease thereof to be equal to the net return which would have been available to it in that respect if such assessment had not been so made or such laws or regulations changed, as the case may be, provided however that, in lieu of paying such adjusted Basic Rental, the Lessee, so long as no Event of Default, or an event which would constitute an Event of Default but for the lapse of time or the giving of notice or both, shall have occurred and be continuing, shall have the right at its option to purchase the Equipment by paying to the Lessor, as Supplemental Rental (i) the Stipulated Loss Value for the Equipment determined as of the date when such assessment or

such

such change in such laws or regulations, as the case may be, became effective and (ii) an amount equivalent to the Basic Rental which would have been due had such purchase not taken place for the entire semi-annual Basic Rental payment period during which such assessment or change, as the case may be, became effective. If the Lessee exercises its option, such Supplemental Rental shall become due and payable on the last day of such semi-annual Basic Rental payment period during which such assessment or change, as the case may be, became effective and shall bear interest thereafter as provided in Section 4.03 hereof, provided that the Lessee shall be entitled to a credit for any payments of Basic Rental made by the Lessee to the Lessor for semi-annual Basic Rental payment periods after such semi-annual Basic Rental payment period during which such assessment or change, as the case may be, became effective. Notwithstanding the provisions of Section 1.15 hereof, if such assessment or change, as the case may be, becomes effective during any of the three 6 month periods immediately prior to July 15, 1991, such Stipulated Loss Value shall be the greater of Fair Market Value or Stipulated Loss Value of the Equipment determined in accordance with the provisions of Section 1.15 hereof. If any such assessment or change occurs, then the Lessor shall use its reasonable efforts to notify the Lessee promptly and, if so requested by the Lessee, shall at the Lessee's expense contest the validity and amount of any such assessment or change so long as the rights and interests of the Lessor hereunder will not be materially endangered thereby.

The above paragraph shall only be applicable to the Lessor itself and its successors or assigns which are Canadian subsidiaries or parent companies of the Lessor or which have resulted from a statutory amalgamation or merger, by Act of Parliament of Canada or legislature of any Province, of the Lessor with another company or companies but only in the event and to no greater extent than it would have been applicable to the Lessor as a result of an assessment or change in applicable tax laws as provided for in (a), (b), (c) and (d) above. In the event that this Section becomes applicable and the Lessor has previously assigned its rights under this Agreement to a successor or assign which is not a Canadian subsidiary or parent company of the Lessor or which has not resulted from a statutory amalgamation or merger, by Act of Parliament of Canada or legislature of any Province, of the Lessor with another company or companies, such successor or assign shall not be entitled to the adjusted Basic Rental but shall continue

to receive the Basic Rental as provided in Section 4.01 hereof.

Section 4.03 Supplemental Rental. The Lessee also hereby agrees to pay to the Lessor any and all Supplemental Rental promptly as the same shall become due and owing, and in the event of any failure on the part of the Lessee to pay any Supplemental Rental, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of non-payment of Basic Rental. The Lessee will also pay to the Lessor, on demand, as Supplemental Rental, interest at a rate which is 1% per annum above the rate borne by the Notes referred to in Article XIII hereof (in the event any such Notes are issued as contemplated by Article XIII hereof) at the time outstanding hereunder, computed semiannually, on any part of any installment of Basic Rental not paid when due and on any payment of Supplemental Rental not paid when due for the period until the same shall be paid.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.01 Lessor's representations and warranties.

(i) The Lessor shall not be deemed to have made or given and hereby expressly disclaims any representation or warranty, express or implied, as to the title, condition, merchantability, design, operation or fitness for use of the Equipment, or any other representation or warranty whatsoever, express or implied, with respect to the Equipment, except that the Lessor warrants that it will have whatever title has been conveyed to it by the vendor thereof, and except that the Lessor may charge the Equipment under the Trust Deed referred to in Section 13.01 hereof.

(ii) The Lessor hereby represents and warrants that the Lessee shall have peaceable enjoyment of the Equipment during the Term after the Equipment has been delivered to the Lessee provided that the Lessee keeps and performs each and every covenant, condition or agreement to be performed or observed by it hereunder. The Lessor shall continue to be bound by such warranty even if the Lessor ceases to be the Lessor hereunder during the Term. The Lessor agrees that it shall, at its own cost and expense, take such action as may be necessary to promptly cure any breach of this warranty.

(iii)

(iii) In addition, the Lessor hereby represents and warrants that:

(a) This Agreement constitutes legal, valid and binding obligations of the Lessor in accordance with the terms hereof.

(b) There are no suits, actions or proceedings pending or to the knowledge of the Lessor threatened in any court or before or by any regulatory commission, board or other administrative governmental agency against or affecting the Lessor which may have a material adverse effect on the financial condition or business of the Lessor.

Section 5.02 Lessee's representations and warranties.
The Lessee represents and warrants that:

(i) The Lessee is a corporation duly organized and validly existing in good standing under the laws of Canada, and is duly licensed, qualified and authorized to do business wherever necessary to carry on its present business and operations and wherever it operates the Equipment, to own its properties and to perform its obligations under this Agreement.

(ii) The Lessee has full power, authority and legal right to enter into and perform this Agreement and the execution, delivery and performance of this Agreement and the acknowledgement of the cession and transfer of all the rights of the Lessor hereunder contemplated by Article XIII hereof have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any shareholders' approval, do not require the approval of, or the giving of prior notice to any federal, provincial or foreign governmental authority which has not been previously obtained or given, as the case may be, and will not violate any provision of law or of the Lessee's Charter or By-Laws or result in the breach of, constitute a default under, contravene any provisions of, or result in the creation of any privilege, lien, hypothec, mortgage, pledge, charge, encumbrance or other security interest upon any property or assets of the Lessee under, any agreement, indenture or other instrument to which the Lessee is a party or by which the Lessee or its property may be bound or affected.

(iii) This Agreement constitutes legal, valid and binding obligations of the Lessee in accordance with the terms hereof.

(iv)

(iv) There are no suits, actions or proceedings pending or, to the knowledge of the Lessee, threatened in any court or before or by any regulatory commission, board or other administrative governmental agency against or affecting the Lessee which may have a material adverse effect on the financial condition or business of the Lessee.

(v) The financial statements of the Lessee as at December 31, 1974 (copies of which have been furnished to the Lessor) are complete and correct and fairly present the financial condition of the Lessee as at the date of such financial statements. Such financial statements correctly set forth the financial condition of the Lessee as of such date and the results of its operations for such year and period and since December 31, 1974, there has been no material adverse change in such condition or operations and nothing has occurred which will materially adversely affect the ability of the Lessee to carry on its business and operations and perform its obligations under this Agreement.

ARTICLE VI

COVENANTS OF THE LESSEE

Section 6.01 Furnish financial information. During the Term, the Lessee shall deliver to the Lessor, within 120 days from the end of each fiscal year of the Lessee or as soon thereafter as the same may become available, the Lessee's audited financial statements for such year.

Section 6.02 Furnish other information. On or before April 1 in each year during the Term commencing with the year 1977, the Lessee will furnish to the Lessor an Officer's Certificate as of the preceding January 1, (a) showing the amount, description and numbers of each Unit then leased hereunder, the amount, description and number of each Lost Unit during the preceding 12 months (or since the date hereof, in the case of the first such statement), and (b) stating that, in the case of any Unit repainted or repaired during the period covered by such statement, the markings required by Section 6.09 hereof shall have been preserved or replaced.

During the Term, the Lessee shall also promptly notify the Lessor of any requirements by any governmental authority (of which it has knowledge or should have knowledge as a railway operator) which shall require any action to be taken by the Lessor in consequence of its ownership of any Unit and the Lessee shall promptly furnish

to

to the Lessor from time to time such information as may be required to be filed by the Lessor with any governmental authority because of the Lessor's ownership of any Unit.

Section 6.03 Inspection. At all reasonable times during the Term, the Lessor or its authorized representatives may inspect the Equipment and the books and records of the Lessee relating thereto. The Lessor shall have no duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection.

Section 6.04 Maintenance of corporate existence. During the Term, the Lessee shall preserve and maintain its corporate existence and all of its rights, privileges and material franchises in every jurisdiction in which the character of the property owned or the nature of the business transacted by it makes licensing or qualification necessary.

Section 6.05 Limitation on liens. During the Term, the Lessee shall not at any time, directly or indirectly, create, incur, assume or suffer to exist any hypothec, mortgage, pledge, lien, privilege, charge, encumbrance or other security interest or any claim on or with respect to any Unit, title thereto or any interest therein, except (i) the respective rights of the Lessor and the Lessee as herein provided, (ii) liens or privileges or other encumbrances which result from claims against the Lessor for which the Lessee is not responsible pursuant to the terms hereof, (iii) any security interest created by the Lessor in any Unit and any liens or privileges arising out of liabilities of the Lessor, (iv) liens or privileges for taxes of the Lessee or the Lessor either not yet due or being contested in good faith and with due diligence and by appropriate proceedings so long as such proceedings do not involve any risk of the sale, forfeiture or loss of any Unit or any interest therein, (v) liens or privileges imposed by law such as materialmen's, mechanics', vendors', workmen's, repairmen's, employees' or other like liens or privileges arising against the Lessee or the Lessor in the ordinary course and not delinquent, (vi) the rights of others as permitted by the provisions of Section 6.11 hereof, and (vii) liens or privileges on the Lessee's interest under this Agreement arising out of judgments or awards against the Lessee with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith and with due diligence and with respect to which there shall have been obtained a stay of execution pending such appeal or proceeding for review. The Lessee will promptly, at its own

expense

expense, take such action as may be necessary to duly discharge any such hypothec, mortgage, pledge, lien, privilege, charge, encumbrance, security interest or claim not excepted above if the same shall arise at any time, provided that the Lessee shall not be required to discharge the same if and so long as it shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay enforcement thereof and shall not in the Lessor's judgment involve any risk of sale, forfeiture or loss of any Unit or any interest therein).

Section 6.06 Pay taxes. The Lessee agrees to pay and to indemnify and hold the Lessor harmless from all taxes, assessments, duties, license and registration fees and other governmental charges imposed, levied or assessed by any federal, provincial or local government or taxing authority in Canada, or, to the extent attributable to the operation or use of any Unit by the Lessee in any foreign country, by any government or taxing authority in a foreign country, against such Unit or upon or measured by any interest therein, or upon the purchase, ownership, delivery, leasing or possession thereof by the Lessor, or upon or measured by the use or operation thereof by the Lessee, or on account of or measured by the earnings or gross receipts arising therefrom, provided that the Lessee shall not be required to pay the same (or any other amount by way of indemnity of the Lessor or otherwise) if and so long as it shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay the collection thereof and shall not involve any risk of the sale, forfeiture or loss of any Unit or any interest therein). Nothing in this Section 6.06 contained shall require the Lessee to indemnify and hold the Lessor harmless from any taxes, fees or other charges of any jurisdiction in Canada or any foreign country which are based on or measured by net income, including without limitation capital gains, of the Lessor other than increases in such taxes, fees or other charges caused directly by the operation or use of any Unit by or through the Lessee and then only to the extent of the net increase in the aggregate of any of such taxes, fees or other charges over and above the amount of any such taxes, fees or other charges which would have been otherwise payable by the Lessor had such Unit not been so operated or used by or through the Lessee. If a claim is made against the Lessor

for

for any such tax, assessment, duty, fee or other governmental charge, then the Lessor shall use its reasonable efforts to notify the Lessee promptly and, if so requested by the Lessee, shall at the Lessee's expense contest the validity and amount of any tax, assessment, duty, fee or governmental charge which it may be required to pay and in respect of which it is entitled to reimbursement by the Lessee under this Section so long as the rights or interests of the Lessor hereunder or in such Unit will not be materially endangered thereby.

In case any report or return is required to be made with respect to any obligations of the Lessee under this Section or arising out of this Section, the Lessee will not make such report or return in a manner to show the Lessee as the owner of any Unit as a result of which the rights or interest of the Lessor hereunder or in such Unit would be materially adversely affected thereby.

Section 6.07 Maintenance of the Equipment. The Lessee shall at its own expense at all times during the Term service, repair, maintain and overhaul the Equipment and replace all defective, worn out or unusable Parts which may from time to time be incorporated or installed in or attached to or otherwise included as part of the Equipment so as to keep the Equipment in as good operating condition as when delivered to the Lessee hereunder, ordinary wear and tear excepted.

Section 6.08 Compliance with governmental requirements. During the Term, the Lessee shall not maintain, use or operate the Equipment in violation of any law or any rule, regulation or order of any government or governmental authority, or association (domestic or foreign) having jurisdiction, or in violation of any license or registration relating to the Equipment issued by any such authority. In the event that such laws, rules, regulations or orders shall at any time require alteration of any Unit and have not been waived by the appropriate authority or association and, in the case of any such waiver, the failure to make such alteration does not materially adversely affect the Lessor or involve any danger of sale, forfeiture or loss of such Unit, the Lessee shall conform thereto before operating such Unit all at no expense to the Lessor, and will maintain the same in proper operating condition under such laws, rules, regulations and orders, provided, however, that the Lessee may, in good faith and with due diligence (after having delivered to the Lessor an Officer's Certificate stating the facts with respect thereto), contest by appropriate proceedings

the validity or application of any such law, rule, regulation or order in any reasonable manner which does not, in the Lessor's opinion, materially adversely affect the Lessor or involves any danger of sale, forfeiture or loss of such Unit.

Section 6.09 Identification marks. During the Term, the Lessee will cause each Unit to be kept numbered with the identifying number set forth in Exhibit A hereto and will prior to July 15, 1978 mark each Unit and will thereafter keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than three-eighths of an inch in height, the following words:

"Leased from

MACYOUNG LEASING LTD. MONTREAL, CANADA
(or, in the event of a sale by it, the name
of the purchaser and its address)

OWNER AND LESSOR"

and, in the event that the Lessor cedes and transfers all its rights hereunder as contemplated by Article XIII hereof, the following additional words:

"This unit is subject to a charge in favour of
National Trust Company, Limited, Montreal, Canada,
as trustee."

or other appropriate words designated by the Lessor, with appropriate changes therein and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to the Equipment and the rights of the Lessor under this Agreement. The Lessee will not change or permit to be changed the identifying number of any Unit except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Agreement will have been filed, recorded or deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that, the Lessee may cause such Unit to be lettered with the names or initials or other insignia customarily used by the Lessee or any sublessee referred to under Section 6.11

hereof

hereof on railroad equipment used by them of the same or a similar type for convenience of identification of their rights to use such Unit as permitted under this Agreement.

Section 6.10 Registration. The Lessor will, at the expense of the Lessee, cause (a) this Agreement to be duly deposited in the office of the Registrar General of Canada and the required notice of such deposit forthwith thereafter to be published in The Canada Gazette in accordance with Section 86 of the Railway Act R.S.C. 1970, c.R-2 and (b) this Agreement to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act of the United States of America.

The Lessee will, from time to time and at its expense, do and perform any act and will execute, acknowledge, deliver and file any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the satisfaction of the Lessor and its counsel, of the Lessor's interests hereunder in the Equipment, or for the purpose of carrying out the intention of this Agreement. The Lessee will promptly furnish to the Lessor evidence of such execution, acknowledgement, delivery and filing.

Section 6.11 Possession of the Equipment. The Lessee shall not during the Term, without the prior written consent of the Lessor, assign, deliver, transfer or otherwise relinquish possession or dispose of any Unit or assign any of its rights hereunder, provided, however, that, so long as no Event of Default (or an event which would constitute an Event of Default but for the lapse of time or the giving of notice or both) shall have occurred and be continuing, the Lessee shall be entitled to the possession of any Unit and to the use thereof by it or any affiliated or subsidiary corporation upon its or their lines of railroad or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of any Unit upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Agreement and without in any way relieving the Lessee from any obligation or liability hereunder.

Nothing

Nothing in this Section 6.11 shall be deemed to restrict the right of the Lessee (i) to assign or transfer its leasehold interest under this Agreement in the Equipment or possession of the Equipment to any corporation incorporated under the laws of Canada (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become amalgamated, merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety; or (ii) to sublease any Unit to such subsidiary or affiliated corporations of the Lessee as are at the time such sublease is executed domestic railroad corporations incorporated under the laws of Canada or any province thereof or any state of the United States of America or the District of Columbia; provided, however, that the rights of such sublessee are made expressly subordinate to the rights and remedies of the Lessor under this Agreement. No such sublease shall relieve the Lessee of any liability or obligation hereunder which shall be and remain that of a principal and not a surety.

Section 6.12 Replacement of Parts. During the Term, the Lessee, at its own expense, shall promptly replace all Parts which may from time to time be incorporated or installed in or attached to or otherwise included as part of a Unit and which may at any time become worn out, lost, stolen, destroyed, seized, confiscated, damaged but repairable, damaged beyond repair or temporarily or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair and overhaul, the Lessee may remove or otherwise deal with any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged but repairable or damaged beyond repair or temporarily or permanently rendered unfit for use, provided that the Lessee shall replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all liens, privileges and other encumbrances and rights of others (except for those permitted under Sections 6.05 (iv), (v) and (vii) hereof and shall be in as good operating condition as, and shall have a value and utility at least equal to, that required by the terms of this Agreement with respect to the Parts replaced. All Parts at any time removed from or otherwise not incorporated or installed in or attached to a Unit shall remain the property of the Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached

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to or otherwise become part of such Unit and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to or otherwise part of such Unit as above provided, without further act (i) title to the replaced Part shall thereupon vest in the Lessee, free and clear of all rights of, and without recourse to or warranty of, the Lessor, (ii) title to such replacement Part shall thereupon vest in the Lessor (free and clear of all liens or privileges except for those permitted under Sections 6.05 (iv), (v) and (vii) hereof, and (iii) such replacement Part shall become subject to this Agreement and deemed part of such Unit for all purposes hereof to the same extent as the Part originally incorporated or installed in or attached to or otherwise part of such Unit.

Section 6.13 Alterations, modifications and additions.
The Lessee, at its own expense, may from time to time make such alterations and modifications in or to and additions to any Unit as the Lessee may deem desirable in the proper conduct of its business, provided that no such alteration, modification or addition diminishes the value or utility of such Unit, below the value, utility and condition thereof immediately prior to such alteration, modification or addition and provided further that such Unit was then in the condition required to be maintained by the terms of this Agreement. Title to all Parts incorporated or installed in or attached or added to or otherwise becoming part of such Unit as the result of any such alteration, modification or addition shall be free and clear of all liens, privileges and other encumbrances and rights of others and shall, without further act, vest in the Lessor, provided, however, the Lessee may, so long as no Event of Default (or an event which would constitute an Event of Default but for the lapse of time or the giving of notice or both) shall have occurred and be continuing, or shall, if requested to do so by the Lessor upon the return of such Unit to the Lessor pursuant to the provisions of this Agreement, remove any Part from such Unit which (i) is in addition to, and not in replacement of or substitution for, any Part incorporated or installed in or attached to or otherwise part of such Unit at the commencement of this Agreement or any Part in replacement of or substitution for any such Part, (ii) is not required to be incorporated or installed in or attached to or added to or otherwise to be part of such Unit pursuant to the terms

of Sections 6.07, 6.08 or 6.12 hereof or this Section 6.13, and (iii) can be removed from such Unit without diminishing or impairing the value or utility which such Unit would have had at such time had such Part not been installed thereon or incorporated therein, or otherwise part thereof. Upon the removal by the Lessee of any such Part, title thereto shall, without further act, vest in the Lessee and such Part shall no longer be deemed part of the Unit from which it was removed, provided, however, that any Part not removed by the Lessee as above permitted prior to the end of the Term shall remain the property of the Lessor without any compensation being required to be paid by the Lessor to the Lessee and provided further that nothing in the two preceding sentences shall be deemed to change or diminish in any respect the Lessee's obligations under Section 6.08 and 6.11 to 6.13 hereof inclusive.

Section 6.14 Change in control of Lessee. In the event that during the Term, the Government of Canada shall cease to own, directly and/or indirectly, at least 50.1% of the Lessee's voting shares, the Lessee shall, within 5 days from the later of the date on which it first had knowledge of such change in control and the date on which it is free to make a public announcement thereof, notify the Lessor of such change in control and, if requested by the Lessor within 30 days from the date of such notification by the Lessee, the Lessee shall purchase the Equipment by paying to the Lessor, as Supplemental Rental, (i) the Stipulated Loss Value for the Equipment determined as of the date when the Government of Canada first ceased to own directly and/or indirectly, 50.1% of the Lessee's voting shares and (ii) an amount equivalent to the Basic Rental which would have been due had such purchase not taken place for the entire semi-annual Basic Rental payment period during which the Government of Canada first ceased to own directly and/or indirectly, 50.1% of the Lessee's voting shares. If the Lessor has so requested that the Lessee purchase the Equipment, such Supplemental Rental shall become due and payable on the last day of such semi-annual Basic Rental payment period notwithstanding that such 30 day period after notification by the Lessee to the Lessor extends beyond such day and shall bear interest thereafter as provided in Section 4.03 hereof, provided that the Lessee shall be entitled to a credit for any payments of Basic Rental made by the Lessee to the Lessor for semi-annual Basic Rental periods after such period during which such disposition took place. Notwithstanding the provisions of Section 1.15 hereof, if such disposition takes place during any of the three 6

month periods immediately prior to July 15, 1991, such Stipulated Loss Value shall be the greater of the Fair Market Value or Stipulated Loss Value of the Equipment determined in accordance with the provisions of Section 1.15 hereof.

Section 6.15 Insurance. The Lessee shall at all times during the Term provide insurance on the Equipment as self-insurer.

Section 6.16 Event of Loss. Upon the occurrence of an Event of Loss with respect to any Unit at any time during the Term, the Lessee shall within 30 days after it shall have determined that such Event of Loss has occurred replace such Lost Unit with another unit of equivalent value, utility and condition. Subject to any adjustment in Basic Rental as hereinafter provided in the next paragraph of this Section, the obligation of the Lessee to pay the Basic Rental shall continue without abatement regardless of the occurrence of such Event of Loss. If such Lost Unit is replaced as in this Section provided, the Lessee shall sign all such documents and do all such things as may be reasonably required by the Lessor to convey good and marketable title to such replacement Unit to the Lessor free and clear of all hypothecs, mortgages, charges and other encumbrances.

 If the Lessee is reasonably unable to replace such Lost Unit as aforesaid, the Lessee shall pay to the Lessor, as Supplemental Rental, a lump sum payment equivalent to that portion of the Stipulated Loss Value for the Equipment attributable to such Lost Unit determined as of the date of payment of such Supplemental Rental. Such Supplemental Rental shall become due and payable on the 14th day of July next following the determination of such Event of Loss and shall bear interest thereafter as provided in Section 4.03 hereof. Upon payment of such Supplemental Rental on such 14th day of July next following such determination of such Event of Loss, the Basic Rental shall be reduced thereafter for the remainder of the Term by an amount equivalent to that portion of the Basic Rental attributable to such Lost Unit. Notwithstanding the provisions contained in the two preceding sentences, in the case where the Lessee has only determined that an Event of Loss with regard to any Unit has occurred within 30 days prior

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to any 14th day of July, the Lessee may elect (except during the last year of the Term) to have the Supplemental Rental attributable to such Lost Unit determined as in the first sentence of this paragraph become due and payable on the 14th day of July next following such 14th day of July and upon payment of such Supplemental Rental, the Basic Rental shall be reduced thereafter for the remainder of the Term by an amount equivalent to that portion of the Basic Rental attributable to such Lost Unit.

Section 6.17 Indemnification and expenses. The Lessee does hereby assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind and nature imposed on, incurred by or asserted against the Lessor in any way relating to or arising out of (i) any action or inaction by the Lessee in connection with this Agreement and the transactions contemplated hereby, (ii) the possession, use, operation, maintenance, alteration, storage, delivery, return or other disposition of a Unit by any person or organization, (iii) the condition (including, without limitation, latent and other defects with respect thereto, whether or not discoverable by the Lessor or the Lessee) of a Unit, (iv) any act or failure to act by the Lessee relating to a Unit, or (v) any claim for patent, trade mark or copyright infringement in connection with a Unit; provided that the Lessee shall not be required to indemnify the Lessor for loss or liability resulting from (a) the breach by the Lessor of any warranty, term, agreement or condition of this Agreement or (b) the misconduct or negligence of the Lessor, its servants and agents. Nothing in this Section 6.17 contained shall require the Lessee to indemnify and hold the Lessor harmless from any taxes, fees or other charges of any jurisdiction in Canada or any foreign country which are based on or measured by net income, including without limitation capital gains, of the Lessor other than increases in such taxes, fees or other charges caused directly by the operation or use of any Unit by or through the Lessee and then only to the extent of the net increase in the aggregate of any of such taxes, fees or other charges over and above the amount of any such taxes, fees or other charges which would have been otherwise payable by the Lessor had such Unit not been so operated or used by or through the Lessee.

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The Lessee shall be obligated under this Section irrespective of whether the Lessor shall also be indemnified with respect to the same matter by any person and the Lessor may proceed directly against the Lessee under this Section.

Upon the payment in full of any indemnities as contained in this Section by the Lessee, the Lessee shall be subrogated, to the extent of the amount of any such indemnity paid by the Lessee to the Lessor, to any right of the Lessor in respect of the matter against which the indemnity has been given. The Lessor agrees that to the extent any of the foregoing rights and remedies are not assignable, the Lessor, for and on behalf of the Lessee, and at the Lessee's expense, shall exercise such rights and remedies. The amount of an indemnity required to be paid under this Section shall be computed so that the Lessor receives full indemnification net after any taxes required to be paid or made in respect of such indemnity payment under the laws of Canada or of any province thereof (after giving credit for any savings available to the Lessor in respect of any taxes by reason of deductions, credits or allowances in respect of the payment of the expenses indemnified against).

The Lessee agrees to give to the Lessor and the Lessor agrees to give to the Lessee prompt notice of any claim or liability hereby indemnified.

The indemnities contained in this Section shall survive the termination of this Agreement and are expressly made for the benefit of and shall be enforceable by the Lessor but shall not extend to the successors or assigns (other than the Trustee referred to in Article XIII hereof (in the event any Notes are issued as contemplated by such Article XIII)) of the Lessor in the event of the sale by the Lessor of the Equipment or any Unit thereof upon the expiration of the Term.

ARTICLE VII

EVENT OF DEFAULT AND REMEDIES

Section 7.01 Event of Default. Each of the following events shall constitute an Event of Default (whether any such event shall be voluntary or involuntary or come about

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or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Rentals after the same shall have become due and such failure shall have continued for a period of 10 days after the due date, provided however, nothing in this subsection (a) shall have the effect of extending a due date under this Agreement to include such 10 day period;

(b) Any material representation or warranty made by the Lessee herein or in any document or certificate furnished the Lessor in connection herewith or pursuant hereto shall at any time prove to have been incorrect in any material respect at the time made;

(c) The Lessee shall suspend all or any substantial portion of its licensed operations other than suspensions of a temporary nature resulting from a strike or similar event not within the control of the Lessee;

(d) The Lessee shall fail to perform or observe any covenant, condition or agreement other than the above subsections (a) to (c) inclusive to be performed or observed by it hereunder and such failure shall continue unremedied for a period of 30 days or in any case where such failure is not capable of being remedied within a period of 30 days, the Lessee shall fail to commence to remedy same within such period of 30 days and thereafter proceed with all due diligence to remedy such failure; or

(e) If the Lessee makes an assignment for the benefit of creditors, or files a petition in bankruptcy; or the Lessee is adjudicated insolvent or bankrupt, or petitions or applies to any tribunal for any receiver, trustee, liquidator or sequestrator of, or for, the Lessee or any substantial portion of the property of the Lessee; or, in connection with any insolvency or liquidation of the Lessee, the Lessee commences any proceeding relating to the Lessee or any substantial portion of the property of the Lessee under any reorganization, arrangement, dissolution, winding up, adjustment, composition or liquidation law or statute of any jurisdiction, whether now or hereafter in effect (hereinafter in this subsection (e) called "Proceeding"); or if there is commenced against the Lessee any Proceeding and an order

approving

approving the petition is entered, or such Proceeding is not dismissed within a period of 60 days; or any receiver, trustee, liquidator or sequestrator of, or for, the Lessee or any substantial portion of the property of the Lessee is appointed and is not dismissed within a period of 60 days; or the Lessee by any act indicates consent to or approval of or acquiescence in any Proceeding or the appointment of any receiver, trustee, liquidator or sequestrator of, or for, the Lessee or any substantial portion of the property of the Lessee.

Section 7.02. Remedies in the case of an Event of Default. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor may, at its option, by notice to the Lessee declare this Agreement to be in default; and at any time after such declaration so long as the Lessee shall not have remedied all outstanding Events of Default to the satisfaction of the Lessor, the Lessor may, by notice (which may form part of the notice hereinbefore referred to in this Section) to the Lessee specifying a payment date which shall be at least 10 days after the date of such notice, demand that the Lessee pay to the Lessor and the Lessee shall pay to the Lessor on the payment date specified in such notice, as liquidated damages or penalty and as Supplemental Rental, (i) the Termination Value of the Equipment determined as of the date when the Event of Default occurred and (ii) an amount equal to the Basic Rental which would have been due had such Event of Default not occurred for the entire semi-annual Basic Rental payment period during which such Event of Default occurred and plus all other Rentals due or owing hereunder on the payment date specified in such notice, including without limitation, the fees and other costs and expenses hereinafter in this Section referred to. Such Supplemental Rental and other Rentals shall become immediately due and payable and any such Supplemental Rental and other Rentals payments made after such day shall bear interest as provided in Section 4.03 hereof.

If the Lessee fails to pay such Termination Value and other Rentals on the payment date specified in such notice, the Lessee shall return the Equipment promptly to the Lessor at the place and in the manner and in the condition required by and otherwise in accordance with all of the provisions of Section 8.05 hereof as if the Equipment were being returned at the end of the Term, or the Lessor, at its option, may enter upon the premises where the Equipment is located and

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take immediate possession of and remove the Equipment by summary proceedings or otherwise, all without liability of the Lessor to the Lessee for or by reason of such entry or taking of possession whether for the restoration of damages to property caused by such taking or otherwise. After such taking of possession, the Lessor may sell the Equipment at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and shall apply the proceeds of such sale towards payment of such Termination Value and Basic Rental and all other Rentals due or owing to the Lessor hereunder at the time of such application, including without limitation the fees and other costs and expenses hereinafter referred to in this Section. If the net proceeds from such sale are insufficient to cover the payment of all such Rentals, the Lessee shall continue to be liable to the Lessor for the deficiency.

Notwithstanding anything in this Section 7.02 to the contrary, the Lessor may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Agreement.

The Lessee shall be liable for all legal fees and other costs and expenses incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred by the Lessee or the Lessor in connection with the return of the Equipment in accordance with this Section.

No remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity, including without limitation the right of the Lessor to rescind this Agreement with respect to the Equipment, to enforce the terms hereof or to recover damages for breach of any terms hereof, and the exercise or beginning of exercise by the Lessor of any remedy shall not preclude the simultaneous or later exercise by the Lessor of any other remedy. No express or implied waiver by the Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other existing or subsequent Event of Default. To the extent permitted by applicable law, the Lessee hereby waives any rights now or hereafter conferred

by

by statute or otherwise with respect to the sale of the Equipment as set forth in this Section or which may otherwise limit or modify any of the Lessor's rights or remedies under this Section.

Section 7.03 Lessor's right to perform for Lessee.

If the Lessee fails to make any payment required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, the Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of the Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at a rate which is 1% per annum above the rate borne by the Notes referred to in Article XIII hereof (in the event any such Notes are issued as contemplated by Article XIII hereof) at the time outstanding hereunder, computed semi-annually, shall be deemed Supplemental Rental payable by the Lessee upon demand.

ARTICLE VIII

TERMINATION OF THE AGREEMENT

Section 8.01 Termination upon the expiration of the Term. Subject to the provisions of Section 8.05 hereof, this Agreement shall terminate upon the expiration of the Term provided that the Lessee has paid to the Lessor all Rentals due or owing hereunder and/or all payments pursuant to Section 10.01 hereof, if applicable.

Section 8.02 Termination during the Term pursuant to Section 7.02. This Agreement shall also terminate during the Term if the Lessor has exercised its rights pursuant to Section 7.02 hereof, subject however to the provisions of such Section 7.02 and provided that the Lessee has paid to the Lessor all Rentals due or owing hereunder.

Section 8.03 Other terminations during the Term.

(a) This Agreement shall also terminate during the Term if the Lessee purchases the Equipment pursuant to the provisions of Section 4.02 hereof or is required by the Lessor to purchase the Equipment pursuant to the provisions of Section 6.14 hereof, and provided that the Lessee has paid to the Lessor all Rentals due or owing hereunder:

(b) This Agreement shall also terminate during the Term with respect to any Lost Unit not replaced pursuant to the provisions of Section 6.16 hereof provided that the Lessee has paid to the Lessor the Supplemental Rental due or owing under such Section 6.16.

Section 8.04 Transfer of title to the Equipment. If this Agreement is terminated under the provisions of Section 8.03 (a) hereof, or if the Lessee has acquired the Equipment pursuant to Section 7.02 hereof or if the Lessee has exercised its option to purchase any Unit in accordance with the provisions of Article IX hereof or if this Agreement is terminated with respect to any Unit which has suffered an Event of Loss and has not been replaced pursuant to the provisions of Section 6.16 hereof, the Lessor shall promptly upon such termination transfer to the Lessee with warranty as to its own acts only title to, or in the case of an Event of Loss, all of its right, title and interest in and to the Equipment or such Unit, as the case may be.

Section 8.05 Return and Disposal of the Equipment upon the expiration of the Term. Except in the case of any Unit purchased by the Lessee pursuant to the provisions of Article IX of this Agreement or in the case of any Lost Unit which has not been replaced pursuant to the provisions of Section 6.16 hereof, the Lessee, at its own expense, will, at the expiration of the Term and at the request of the Lessor, deliver possession of the Equipment or any Unit thereof as the Lessor may from time to time designate to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90 day period, to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' prior notice to the Lessee; the movement and storage of such Unit to be at the expense and risk of the Lessee. Such Unit shall be free and clear of all liens, privileges, hypothecs, mortgages, charges and other encumbrances and rights of others; shall be in as good condition as when delivered to the Lessee at the beginning of the Term, ordinary wear and tear excepted; shall have been maintained, serviced and modified as required by Sections 6.07, 6.08 and 6.12 hereof; shall, except as otherwise provided herein, contain or include the same equipment (or comparable equipment of equivalent quality and utility), as when such Unit was delivered to the Lessee, including all alterations, modifications and additions to such Unit pursuant to Section 6.13 hereof, other than additions which the Lessee is entitled to remove and has removed from such Unit pursuant to such Section; and shall meet the standards then in effect under the interchange rules of the Association of American Railroads, if applicable, and the Canadian Transport Commission.

During

During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this Section 8.05. The assembling, delivery, storage and transporting of such Unit as hereinbefore provided are of the essence of this Agreement, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport such Unit. If the Lessor shall elect to abandon any Unit as hereinafter in this Section 8.05 provided, it shall give notice to such effect to the Lessee and the Lessee shall thereupon assume and hold the Lessor harmless from all liability arising in respect of any responsibility of ownership thereof, from and after receipt of such notice.

Prior to the expiry of the 90 day period referred to above, the Lessor shall use its best efforts and shall endeavour to sell and dispose of such Unit so stored, such efforts and endeavours to be conclusively satisfied by the advertisement of such sale or request for tender therefor by means of publication of notices in railway trade magazines, newspapers, or such other media as the Lessor shall see fit in Canada and the United States of America. In the event that the Lessor, after such publication or after having exhausted such other means as it sees fit, is unable to procure a purchaser for such Unit, then the Lessor may by notice to the Lessee prior to the expiry of the said 90 day period abandon any Unit being stored on the storage tracks of the Lessee and thereupon the Lessee shall assume full responsibility and liability for any Unit so abandoned and the Lessor shall, upon the request of the Lessee, deliver to or upon the order of the Lessee a bill of sale (without warranties) for such Unit executed by the Lessor and such person or persons as may be required in order to transfer to the Lessee title to such Unit free and clear of all liens, security interests and other encumbrances created by the Lessor.

ARTICLE IX

OPTION TO PURCHASE

Section 9.01 Option to purchase. If the Term of this Agreement is extended pursuant to the provisions of the Extension Agreement, then as additional consideration for this Agreement, the Lessee shall have the irrevocable and exclusive right to purchase any Unit upon the expiration of the Term of this Agreement, as so extended, namely July 14, 1991, for an amount equivalent to the then Fair Market Value of each Unit to be purchased provided that (a) no Event of Default (or other event which after lapse of time or notice or both has become an Event of Default) shall have occurred and be continuing, and (b) this Agreement has not been terminated prior to such date. Such option shall be exercised by the Lessee by giving to the Lessor notice of not less than 6 months prior to the expiration of the Term of its desire to exercise such option and by paying to the Lessor on the date of the expiration of the Term such amount.

ARTICLE X

PAYMENT OF RENTALS AND OTHER PAYMENTS

Section 10.01 Payment of Rentals and other payments. All Rentals and any payment pursuant to Section 9.01 hereof shall be paid by the Lessee to the Lessor at its office referred to under Article XV hereof and in the event that the Lessor cedes and transfers all its rights hereunder as contemplated by Article XIII hereof, such Rentals and any payment pursuant to Section 9.01 hereof, shall be paid by the Lessee to the Lessor at the office of National Trust Company, Limited at 1350 Sherbrooke St. W., Montreal, Quebec, Canada, Attention: Corporate Trust Department.

ARTICLE XI

MILEAGE ALLOWANCE AND ASSIGNMENT OF WARRANTY

Section 11.01 Mileage allowance. Provided that no Event of Default (or other event which after lapse of time or notice or both has become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to all mileage allowances payable by reason of the use of any Unit, and any such mileage allowances received by the Lessor

shall

shall be forthwith remitted to the Lessee.

Section 11.02 Assignment of Warranty. In the event that the Lessor takes possession of the Equipment pursuant to the provisions of this Agreement, the Lessee hereby agrees to assign or otherwise make available to the Lessor such rights as the Lessee may have under any warranty (express or implied) or otherwise with respect to the Equipment made by the manufacturer thereof, to the extent that the same is capable of being assigned or otherwise made available to the Lessor and to the extent that the same is not capable of being so assigned or otherwise made available to the Lessor, the Lessee agrees at the request and expense of the Lessor to use its reasonable efforts to enforce such rights as the Lessee may have with respect thereto.

ARTICLE XII

MISCELLANEOUS

Section 12.01 No set-off, counterclaim etc. The Lessee's obligation to pay all Rentals payable hereunder shall be absolute and unconditional under any and all circumstances and shall not be affected by any circumstances of any character, including without limitation: (i) any set-off, counterclaim, compensation, defense or other right which the Lessee may have against the Lessor or anyone else for any reason whatsoever, including any claim of the Lessee against any of the foregoing; (ii) any defect in the title, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, any Unit, or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever; or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against the Lessee. The Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Agreement except as expressly provided in this Agreement. If for any reason whatsoever this Agreement shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, the Lessee none the less agrees to pay to the Lessor an amount equal to each Rentals payment at the time such payment would have become due in accordance with the terms hereof had this Agreement not been terminated in whole or in part. Each

Rentals

Rentals payment made by the Lessee shall be final and the Lessee will not seek to recover all or any part of such payment from the Lessor for any reason whatsoever, provided that nothing in this Section shall be deemed to relieve the Lessor of its obligations under this Agreement.

Section 12.02 Other. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law the Lessor and the Lessee hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect. This Agreement constitutes the entire agreement between the Lessor and the Lessee and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

ARTICLE XIII

ACKNOWLEDGMENT OF ASSIGNMENT

Section 13.01 Acknowledgment of Assignment. The Lessee hereby takes notice that all the rights of the Lessor hereunder may be ceded and transferred to National Trust Company, Limited, in its quality as trustee, as security for the Notes of the Lessor issued or to be issued under a Trust Deed of Hypothec, Mortgage and Pledge bearing formal date of December 31, 1975 executed between the Lessor and said trustee and hereby accepts such cession and transfer and waives signification thereof.

ARTICLE XIV

FURTHER ASSURANCES

Section 14.01 Further Assurances. All parties to this Agreement shall execute such further agreements and take such further actions as may from time to time be reasonably requested by any other party in order to more effectively carry out the intent and purpose of this Agreement, including the delivery to the Lessee of any amendments to the Trust Deed referred to in Article XIII hereof.

ARTICLE XV

ARTICLE XV

NOTICES

Section 15.01 Notices. All notices, requests, demands, consents, approvals or other communications required under the terms and provisions hereof shall be in writing, and any such notice, request, demand, consent, approval or other communication shall be given by registered mail, prepaid, or personally delivered, addressed: (i) if to the Lessee at 935 Lagauchetière St. West, Montreal, Quebec, H3C 3N3, Attention: Treasurer, or at such other address as the Lessee shall from time to time designate in writing to the Lessor, and (ii) if to the Lessor, addressed to Macyoung Leasing Ltd., 1 Place Ville Marie, Suite 750, Montreal, Quebec, Canada, Attention: Assistant-Secretary, and, in the event that the Lessor cedes and transfers all its rights hereunder as provided in Article XIII hereof, with a copy thereof addressed to National Trust Company, Limited, 1350 Sherbrooke Street West, Montreal, Quebec, Canada, Attention: Corporate Trust Department or at such other address as the Lessor shall from time to time designate in writing to the Lessee.

ARTICLE XVI

AMENDMENTS

Section 16.01 Amendments. This Agreement may not be amended except in writing signed by each of the parties hereto.

ARTICLE XVII

COUNTERPARTS AND ARTICLE HEADINGS

Section 17.01 Counterparts and Article headings. This Agreement may be executed in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same instrument. The Article and Section headings are inserted for convenience only and are not to be construed as part of this Agreement.

ARTICLE XVIII

SUCCESSORS AND ASSIGNS

Section 18.01 Successors and assigns. This Agreement shall be binding upon and, subject as herein provided, enure

to

to the benefit of the parties hereto and their respective successors and assigns.

Subject to Article XIII hereof, the Lessor hereby agrees that it shall only be entitled to assign all of its rights hereunder and not just a part thereof.

ARTICLE XIX

INTERPRETATION

Section 19.01 Interpretation. This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Quebec.

ARTICLE XX

FORMAL DATE

Section 20.1 Formal Date. For the purpose of convenience this Agreement may be referred to as bearing formal date of December 31, 1975 irrespective of the actual date of execution hereof and shall be valid and effective from that date.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

Lessor

Lessee

MACYOUNG LEASING LTD.

CANADIAN NATIONAL RAILWAY COMPANY

By Mark S. Davis
President

By C. L. Cameron
Vice-President

H. J. Penney
Executive
Vice-President



R. J. Fuller
ASSISTANT Secretary

Exhibit A

[illegible]

PROVINCE OF QUEBEC
CITY OF MONTREAL


On this 22nd day of January, 1976,
before me personally appeared M.F. Harris, to me personally known, who, being by me duly sworn, says that he is President of Macyoung Leasing Ltd., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

#21418

D.M. (Starke) Brando
Commissioner for Oaths
for the District of Montreal

PROVINCE OF QUEBEC
CITY OF MONTREAL

On this 22 day of January, 1976,
before me personally appeared C.T. Lamour personally known, who, being by me duly sworn, says that he is a Vice-President of Canadian National Railway Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


G. ERIC URQUHART
COMMISSIONER FOR OATHS
COMMISSAIRE À L'ASSERMENTATION
DISTRICT - MONTREAL